

OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

December 5, 2014

The Ohio Higher Educational Facility Commission (the "Commission") met on Friday, December 5, 2014, at 11:00 a.m. on the 19th Floor, Room 1932, of the Riffe Center, Columbus, Ohio, written notice of which had been given to all members of the Commission.

The following members attended: Thomas Needles, Chair; David Cannon, Vice Chair; Kenneth Kutina, Secretary; John Martin; John Wells; and James Wilson. Absent were: Wanda Carter; James Shindler; and Susan Tate. Also present was a representative of the institution appearing before the Commission; William Elliott of Blue Rose Capital Advisors; Ben Christensen of the Ohio Board of Regents; and Alexander G. Burlingame of Squire Patton Boggs (US) LLP, Bond Counsel to the Commission.

The meeting was called to order by the Chair. Upon call of the roll, the Secretary declared that a quorum was present. He also stated that the notice of this meeting had been given to all media, organizations or other persons who requested that information in accordance, and in full compliance, with Section 121.22 of the Revised Code.

The Chair noted that the minutes of the Commission meeting of October 15, 2014, were sent to each member prior to this meeting; those minutes are also included in the meeting books for each member. Upon a motion by Mr. Wells that was seconded by Mr. Wilson, all Commission members present approved the minutes of that meeting.

LAKE ERIE COLLEGE

The Chair next called upon Brian Dirk, Vice President, Administration & Finance, to speak to the Commission members regarding Lake Erie College's financing request. Mr. Dirk thanked the Commission members for meeting and accommodating the College's financing schedule. The College, located in Painesville, Ohio, was originally founded as a female seminary in the 1850s. Program offerings were expanded in the first half of the 20th century and include the College's well-known equestrian program. More recently, the College has started a physician assistant program, consistent with its increased emphasis on science-based offerings, which also include pre-dental and pre-med programs. The College has experienced recent enrollment challenges over the last two years, as evidenced by an undergraduate enrollment decline of approximately 200 students. A new enrollment staff has been hired and the College presently has twice as many applications in hand as compared to this time last year. Many of the College's new enrollees are attracted to its science-based programs. The College did fail one of its financial covenants with Fifth Third Bank earlier this year. Fifth Third Bank provides the letter of credit securing each of the College's two outstanding bond issues and will be the bond purchaser in this private placement transaction. Mr. Dirk noted that part of the College's negotiation process with the bank, included the preparation of a five year financial plan by the College with the assistance of its financial adviser. Part of the proposed refinance transaction will include an adjustment of the College's principal amortization schedule. Mr. Dirk then inquired as to whether there were any questions.

In response to questions from Dr. Kutina, Mr. Dirk confirmed that the proposed refinancing would be a private placement transaction in which Fifth Third Bank will purchase the proposed bond. In addition to the newly started master of physician assistant program, the College also maintains graduate programs in business administration and education. These programs include full pay students, as well as students who get financial assistance through their roles as graduate assistants. Mr. Dirk noted that the College's graduate education program has been struggling somewhat. In response to questions from Mr. Cannon, Mr. Dirk noted that while the College has experienced recent difficulties, ongoing initiatives coupled with the proposed bond restructuring should get them where they need to be from a financial perspective. The College has reviewed its applications received to date and is comfortable that there is not a high degree of so called "application inflation." The expansion of College sports programs has helped with the College's recruiting efforts and name recognition. Certain assets of the College are held in trust or otherwise restricted. Portions of the College's investment assets include varying levels of ownership interests. The five year financial protection prepared by the College was required by Fifth Third Bank. Mr. Elliott noted that parts of the transaction included negotiations with Fifth Third Bank, including a requirement that bonds be paid down early as certain cash flow thresholds are met.

In response to questions from Mr. Martin, Mr. Dirk that the College's ideal full-time enrollment is anything over 800; however, the president of the College is targeting an enrollment of 1,200 in the next few years. Five hundred students live on campus, 300 of those live in College-owned housing and 200 live in facilities leased by the College. The College's equestrian program continues to be an area of emphasis. In response to a question from Mr. Cannon, Mr. Burlingame noted that in the event of a default by the College, the primary parties in a workout situation would be the College and the bank. In response to questions from Mr.

Wilson, Mr. Dirk confirmed that the College has worked to reduce expenses, by reducing College contributions to retirement plans and asking for College faculty and staff to contribute more toward medical expenses. Responding to a question from Dr. Kutina, Mr. Dirk noted that the College became co-ed in the late 1980s, but the male population only increased significantly with the expansion of athletic programs some time later. Responding to questions from Mr. Needles, Mr. Dirk noted that the College's identity has been transforming over recent years with its emphasis on science programs, expanded athletics and the equestrian programs.

Responding to further questions from Mr. Needles and Mr. Cannon, Mr. Dirk noted that the typical Lake Erie College student has an ACT score of 21 to 24 and a GPA above 3.0. The College sees its highest success rates with respect to retention among students with this profile. The College's overall retention rate is above 60%. At the moment, the College has no on-line course offerings. It wants to make sure it's done right when the College does launch a program.

Mr. Burlingame stated that the bond documents have been prepared and are presented in substantially final form. The resolution under consideration approves the issuance of the bonds and related documents.

Mr. Wells moved and Mr. Martin seconded the motion that Resolution No. 2014-12 be adopted.

There being no further discussion, the Chair called for the roll and, pursuant to the roll call, the following votes were cast:

Aye: Cannon; Kutina; Martin; Needles; Wells; Wilson

Nay: None

The Chair declared the motion passed and Resolution No. 2014-12 adopted.

Resolution No. 2014-12 is as follows:

CALL OF NEXT MEETING AND ADJOURNMENT

It is now expected that the Commission will next meet on December 17, 2014 in Columbus, which has been called by the Chair. On a motion duly made and seconded, the meeting was adjourned.


Secretary